AMENDED IN ASSEMBLY MARCH 26, 2003

CALIFORNIA LEGISLATURE—2003-04 REGULAR SESSION

ASSEMBLY BILL

No. 1061

Introduced by Assembly Member Firebaugh

February 20, 2003

An act to amend Sections 10200, 10201, and 10205 of the Unemployment Insurance Code, relating to unemployment insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1061, as amended, Firebaugh. Unemployment insurance: employment training panel Employment Training Panel: small businesses.

Existing law provides for the establishment of an employment training program and the Employment Training Panel in the Employment Development Department. Existing law authorizes this panel, among other duties, to utilize funds in the Employment Training Fund for, among other expenditures, funding projects that facilitate ereation of high-wage, high-skilled jobs, or promote retention and expansion of the state's manufacturing or other industries threatened by out-of-state competition. Existing law requires the panel, among other duties, to establish a 3-year plan that is updated annually, based on the demand of employers for trained workers, changes in the state's economy and labor markets, and continuous reviews of the effectiveness of panel training contracts, including contracts with small businesses as provided, to maintain a system to continuously monitor economic and other data required under the plan, and to report annually to the Legislature on projects operating during the previous state fiscal year.

AB 1061 - 2 —

This bill would direct the panel, in funding projects that meet certain requirements, to consider training needs of high-growth industries, along with the training needs of the manufacturing industry and other industries threatened by out-of-state competition. The bill would define "high-growth industries" to include financial, insurance, real estate, business, health, social, professional, and entertainment and recreational services.

This bill would additionally require the panel to publish policies and procedures for designation of geographic regions and municipalities as Employment Training Panel High Unemployment Areas, as defined, and to report to the Governor and other specified officials regarding strategies identified through demonstration pilot projects, as provided.

Existing law requires that each 3-year plan include, among other things, the panel's goals and operational objectives for meeting the needs of small business employers.

This bill would also establish an annual require that those goals and objectives include strategies, which may include demonstration pilot projects, to enable the panel to meet a 25% small business participation goal in accordance with a specified executive order for single employer contracts. This bill would define the term "small business" and would make certain findings and declarations related to the operation of the Employment Training Panel and allocation of its funds.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the 2 following:
- 3 (a) According to a November 1, 2001, report, issued by the California Research Bureau, and Bureau entitled "California's
 - Job Training, Employment and Vocational Education Programs,"
- millions of California's working adults need to upgrade their 7 educational and work skills in order to secure employment at a 8
 - living wage.
- (b) More than 2.5 million California workers, or nearly one in 9 10 five adults in the workplace, lack a high school diploma.
- (c) Assisting workers in enhancing their skills and in qualifying 11 for high paid employment is critical if the state is to maintain a 12 competitive advantage in today's global economy.

-3- AB 1061

(d) The Employment Training Panel, the state's major job training program for employed workers, funds a variety of workforce training services, including vocational training, structured on-site training, industry-specific skills training, job related literacy training, and retraining of workers.

- (e) According to a two-year study conducted in 1999 and 2000 by California State University, Northridge, Employment Training Panel-sponsored training increased worker earnings, reduced unemployment, increased growth of California companies, and stimulated economic expansion in the state. This study also found that firms participating in the panel's single employer contracts have increased wages by approximately 25 percent and experienced a 15 percent increase in job growth.
- (f) Recent studies have found that California's small firms receive a limited share of Employment Training Panel funds. The California Research Bureau, in its report, "A Coordinated Approach to Economic Development," revealed that small business firms do not apply for those funds because they may experience difficulty in providing the levels of release time for their workers required by the panel, lack internal staffing capacity required to complete administrative requirements of the program, or are unaware of Employment Training Panel programs.
- (g) According to the Employment Training Panel's Small Business Work Group, for each of 1998, 1999, and 2000 calendar years, the panel granted an average of 2.2 percent of its funds *for single employer contracts* to small businesses employing 100 employees or less, who applied directly to the panel for assistance, and less than 1 percent for *single employer contracts to* small firms employing 50 workers or less.
- (h) The Employment Training Panel is statutorily required to fund only certain projects, including projects that foster creation of high-wage, high-skilled jobs in a manufacturing industry and other industries threatened by out-of-state competition.
- (i) According to a November 2002 report issued by the California Research Bureau, and entitled "High Growth Industries and Highly Educated Workers in California," manufacturing of both durable and nondurable goods comprises 16 percent of California's 825 billion dollars of total worker earnings and is the state's most important industry. The same report also cites the emergence of six high-growth industries,

AB 1061 _ 4 __

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including financial, insurance, real estate, business, health, social, professional, and entertainment and recreational services.

- (i) The Los Angeles County Economic Development Corporation's Semiannual Economic Forecast and Industry Outlook for the five county Los Angeles region cited high growth in regional aerospace and defense industries as a result of increased federal defense spending and homeland security efforts. The corporation's report also cited significant competition from other states for federal aerospace and defense contracts.
- SEC. 2. It is the intent of the Legislature to do all of the 10 following:
 - (a) Define the term "small business," for purposes of Employment Training Panel services, in accordance with the definition contained in paragraph (1) of subdivision (d) of Section 14837 of the Government Code.
 - (b) Establish a 25 percent small business participation goal for use of Employment Training Panel funds in accordance with Executive Order D-37-01, requiring state agencies to pursue an annual 25 percent small business participation goal in state contracting. for single employer contracts.
 - (c) In establishing priorities for allocation of Employment Training Panel resources, consider the workforce training needs of California's high-growth industries. For these purposes, high-growth industries include financial, insurance, real estate, business, health, social, professional, and entertainment and recreational services.
 - (d) Authorize the Employment Training Panel to initiate a demonstration pilot program for purposes of identifying new strategies to increase small firms' access to Employment Training Panel programs and services. California's new, emerging, and high-growth industries, as identified through data available from the California Economic Strategy Panel within the California Technology, Trade, and Commerce Agency, the Labor Market Information Division within the Employment Development Department, and the United States Census Bureau.
 - (d) Authorize the Employment Training Panel to initiate demonstration pilot projects for purposes of identifying new strategies to increase small firms' access to single employer contracts for Employment Training Panel programs and services.
- 40 Strategies shall include, but not be limited to, recommendations

5 AB 1061

for a streamlined process for application, administration, and monitoring of single employer contracts funded by the Employment Training Panel.

- (e) Require the Employment Training Panel, not later than July 1, 2004, to report to the Governor, the Legislature, the Secretary of the Labor and Workforce Development Agency and the California Workforce Investment Board regarding strategies identified through demonstration pilot projects, to implement policy changes designed to increase access by small firms to single employer contracts, as administered and funded by the Employment Training Panel. In subsequent years, the panel shall make this report annually, on November 30, to the Legislature only.
- SEC. 3. Section 10200 of the Unemployment Insurance Code is amended to read:
 - 10200. The Legislature finds and declares the following:
- (a) California's economy is being challenged by competition from other states and overseas. In order to meet this challenge, California's employers, workers, labor organizations, and government need to invest in a skilled and productive workforce, and in developing the skills of frontline workers. For purposes of this section, "frontline worker" means a worker who directly produces or delivers goods or services.

The purpose of this chapter is to establish a strategically designed employment training program to promote a healthy labor market in a growing, competitive economy that shall fund only projects that meet the following criteria:

- (1) Foster job creation of high-wage, high-skilled jobs, or foster retention of high-wage, high-skilled jobs in manufacturing and other industries that are threatened by out-of-state competition. Provide for retraining contracts in companies that make a monetary or in-kind contribution to the funded training enhancements.
- (2) Encourage industry-based investment in human resources development that promotes the competitiveness of California industry through productivity and product quality enhancements.
- (3) Result in secure jobs for those who successfully complete training. All training shall be customized to the specific requirements of one or more employers or a discrete industry and shall include general skills that trainees can use in the future.

AB 1061 — 6 —

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- (4) Supplement, rather than displace, funds available through existing programs conducted by employers government-funded training programs, such as the Workforce Investment Act of 1998, the Carl D. Perkins Vocational Education Act, CalWORKs, the Enterprise Zone Act, and the Stewart B. McKinney Homeless Assistance Act, the California Community Colleges Economic Development Program, or apportionment funds allocated to the community colleges, regional occupational centers and programs, or other local educational agencies. In addition, it is further the intention of the Legislature that programs developed pursuant to this chapter shall not replace, parallel, supplant, compete with, or duplicate in any way already existing approved apprenticeship programs.
- (b) The Employment Training Panel, in funding projects that meet the requirements of subdivision (a), shall give funding priority to those projects that best meet the following goals:
- (1) Result in the growth of the California economy by stimulating exports from the state, and the production of goods and services that would otherwise be imported from outside the state.
- (2) Address training needs of high-growth industries, manufacturing industries, and other industries threatened by out-of-state competition. For these purposes, "high-growth industries" include financial, insurance, real estate, business, health, professional, social, and entertainment and recreational services.

(3)

(2) Train new employees of firms locating or expanding in the state that provide high-skilled, high-wage jobs and are committed to an ongoing investment in the training of frontline workers.

(4)

(3) Develop workers with skills that prepare them for the challenges of a high performance workplace of the future.

(5)

(4) Train workers who have been displaced, have received notification of impending layoff, or are subject to displacement, because of a plant closure, workforce reduction, changes in technology, or significantly increasing levels of international and out-of-state competition.

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—7— AB 1061

- (5) Are jointly developed by business management and worker 1 2 representatives.
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- (6) Develop career ladders for workers.
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 - (7) Promote the retention and expansion of the state's manufacturing workforce.
 - (c) The program established through this chapter is to be coordinated with all existing employment training programs and economic development programs, including, but not limited to, programs such as the Workforce Investment Act of 1998, the California Community Colleges, the regional occupational vocational education programs, labor-management training programs, and related programs under the Employment Development Department and the Trade Technology, Trade, and Commerce Agency.
- SEC. 4. Section 10201 of the Unemployment Insurance Code 17 18 is amended to read:
 - 10201. As used in this chapter:
- (a) "Department" means the Employment Development 21 Department.
 - (b) "Employer" or "eligible employer" means any employer subject to Part 1 (commencing with Section 100) of Division 1, except any public entity, or any nonprofit organization which has elected an alternate method of financing its liability for unemployment insurance compensation benefits pursuant to Article 5 (commencing with Section 801), or Article 6 (commencing with Section 821) of Chapter 3.

Any public entity or nonprofit organization that has elected an alternate method of financing its liability for unemployment insurance compensation benefits pursuant to Article 5 (commencing with Section 801), or Article 6 (commencing with Section 821) of Chapter 3, shall be deemed to be an employer only for purposes of placement of new hire trainees who received training as an incidental part of a training project designed to meet the needs of one or more private sector employers.

(c) "Eligible participant" means any person who, prior to beginning training or employment pursuant to this chapter, is any of the following:

AB 1061 — 8 —

(1) Unemployed and has established an unemployment insurance claim in this state, or has exhausted eligibility for unemployment insurance benefits from this state within the previous 24 months.

- (2) Employed for a minimum of 90 days by his or her employer, or if employed for less than 90 days, met the conditions of paragraph (1) at the time of hire, had received a notice of layoff from the prior employer, or was employed by an employer for a period of not less than 90 days during the 180-day period prior to the employee's current employment.
- (d) "Executive director" means the executive director appointed pursuant to Section 10202.
- (e) "Fund" means the Employment Training Fund created by Section 1610.
- (f) "Job" means employment on a basis customarily considered full time for the occupation and industry. The employment shall have definite career potential and a substantial likelihood of providing long-term job security. Furthermore, the employment shall provide earnings, upon completion of the employment requirement specified in subdivision (f) of Section 10209, equal to 50 percent, in the case of new hire training, or 60 percent, in the case of retraining, of the state or regional average hourly wage. However, in no case shall the employment result in earnings of less than 45 percent of the state average hourly wage for new hire training and 55 percent of the state average hourly wage for retraining. The panel may consider the dollar value of health benefits that are voluntarily paid for by an employer when computing earnings to meet the minimum wage requirements.
- (g) "New hire training" means employment training, including job-related literacy training, for persons who, at the start of training, are unemployed.
- (h) "Panel" means the Employment Training Panel created by Section 10202.
- (i) "Retraining" means employment related skill and literacy training for persons who are employed and who meet the definition of paragraph (2) of subdivision (c) prior to commencement of training and will continue to be employed by the same employer for at least 90 days following completion of training.
- (j) "State average hourly wage" means the average weekly wage paid by employers to employees covered by unemployment

—9— AB 1061

insurance, as reported to the Employment Development Department for the four calendar quarters ending June 30 of the preceding calendar year, divided by 40 hours.

(k) "Trainee" means an eligible participant.

- (l) "Training agency" means any private training entity or local educational agency.
- (m) "Small business" means an independently owned and operated business that is not dominant in its field of operation, its principal office is located in California, its officers are domiciled in California, and, together with affiliates, it has 100 or fewer employees, and average annual gross receipts of ten million dollars (\$10,000,000) or less over the previous three years, or it employees, or it is a manufacturer, as defined in subdivision (c) of Section 14837 of the Government Code, with 100 or fewer employees.
- (n) "High unemployment areas" means counties with unemployment rates significantly higher than the state average, based on the Employment Development Department's Labor Market Information data, or subcounty areas containing large numbers of unemployed workers, as defined by the Employment Training Panel in its FY 2002-03 Strategic Plan.
- (o) "Single employer contract" means a training contract awarded by the Employment Training Panel to not more than one employer per contract.
- SEC. 5. Section 10205 of the Unemployment Insurance Code is amended to read:
 - 10205. The panel shall do all of the following:
- (a) Establish a three-year plan that shall be updated annually, based on the demand of employers for trained workers, changes in the state's economy and labor markets, and continuous reviews of the effectiveness of panel training contracts. The initial three-year plan shall be submitted to the Governor and the Legislature not later than January 1, 1994. The initial update of the plan shall be submitted not later than July 1, 1994, and annual updates of the plan thereafter shall be submitted not later than July 1 of each year. In carrying out this section, the panel shall review information in the following areas:
- (1) Labor market information, including the state-local labor market information program in the Employment Development Department, and economic forecasts.

AB 1061 — 10 —

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(2) Evaluations of the effectiveness of training as measured by increased security of employment for workers and benefits to the California economy.

- (3) The demand for training by industry, type of training, and size of employer.
- (4) Changes in skills necessary to perform jobs, including changes in basic literacy skills.
- (5) Changes in the demographics of the labor force and the population entering the labor market.
- (6) Proposed expenditures by other agencies of federal Workforce Investment Act funds and other state and federal training and vocational education funds on eligible participants.
- (b) The panel shall maintain Publish policies and procedures for designation of geographic regions and municipalities as Employment Training Panel High Unemployment Areas. Small business awardees of single employer contracts located in Employment Training Panel High Unemployment Areas shall be exempt from the panel's traditional wage requirements provided those firms increase the wages of participating trainees by 5 percent as a condition of utilizing Employment Training Panel funds.
- (c) Maintain a system to continuously monitor economic and other data required under this plan. If this data changes significantly during the life of the plan, the plan shall be amended by the panel. Each plan shall include all of the following:
- (1) The panel's objectives with respect to the criteria and priorities specified in Section 10200 and the distribution of funds between new-hire training and retraining.
- (2) The identification of specific industries, production and quality control techniques, and regions of the state where employment training funds would most benefit the state's economy and plans to encourage training in these areas, including specific standards and a system for expedited review of proposals that meet the standards.
- (3) A system for expedited review of proposals that are 36 substantially similar with respect to employer needs, training curriculum, duration of training, and costs of training, in order to encourage the development of proposals that meet the needs identified in paragraph (2).

— 11 — AB 1061

(4) The panel's goals and operational objectives with respect to meeting the needs of small employers, including strategies designed to enable the panel to meet a 25 percent small business participation goal in accordance with Executive Order D-37-01 for single employer contracts. These strategies may include, but are not limited to, pilot demonstration projects, designed to identify and surmount remove current barriers to small business access to Employment Training Panel programs and workforce training resources.

- (5) The research objectives of the panel that contribute to the effectiveness of this chapter in benefiting the economy of the state as a whole.
- (6) A priority list of skills that are in such short supply that employers are choosing to not locate or expand their businesses in the state or are importing labor in response to these skills shortages.
- (c) Solicit proposals and write contracts on the basis of proposals made directly to it. Contracts for the purpose of providing employment training may be written with any of the following:
 - (1) An employer or group of employers.
 - (2) A training agency.

- (3) A local workforce investment board with the approval of the appropriate local elected officials in the local workforce investment area.
- (4) A grant recipient or administrative entity selected pursuant to the federal Workforce Investment Act of 1998, with the approval of the local workforce investment board and the appropriate local elected officials.

These contracts shall be in the form of fixed-fee performance contracts. Notwithstanding any provision of law to the contrary, contracts entered into pursuant to this chapter shall not be subject to competitive bidding procedures. Contracts for training may be written for a period not to exceed 24 months for the purpose of administration by the panel and the contracting employer or any group of employers acting jointly or any training agency for the purpose of providing employment training.

(d) Fund training projects that best meet the priorities identified annually. In doing so, the panel shall seek to facilitate the employment of the maximum number of eligible participants.

AB 1061 — 12 —

- (e) Establish minimum standards for the consideration of proposals, which shall include, but not be limited to, the identification of employers who have been contacted by the contractor and who have provided reasonable assurance that they will employ successful trainees, the number of jobs available, the skill requirements for the identified jobs, the projected cost per person trained, hired, and retained in employment, the wages paid successful trainees upon placement, and the curriculum for the training. No proposal shall be considered or approved that proposes training for employment covered by a collective bargaining agreement unless the signatory labor organization agrees in writing.
- (f) Develop a process by which local workforce investment boards may apply for marketing resources for the purpose of identifying local employers that have training needs that reflect the priorities of the panel. The panel may delegate its authority to approve contracts for training to local workforce investment boards, provided that no contract approved exceeds fifty thousand dollars (\$50,000) per project without prior approval of the panel and all contracts meet the provisions of this chapter and are consistent with the annual priorities identified by the panel.
- (g) Ensure the provision of adequate fiscal and accounting controls for, monitoring and auditing of, and other appropriate technical and administrative assistance to, projects funded by this chapter.
- (h) Provide for evaluation of projects funded by this chapter. The evaluations shall assess the effectiveness of training previously funded by the panel to improve job security and stability for workers, and benefit participating employers and the state's economy, and shall compare the wages of trainees in the 12-month period prior to training as well as the 12-month period subsequent to completion of training, as reflected in the department's unemployment insurance tax records. Individual project evaluations shall contain a summary description of the project, the number of persons entering training, the number of persons completing training, the number of persons employed at the end of the project, the number of persons still employed three months after the end of the project, the wages paid, the total costs of the project, and the total reimbursement received from the Employment Training Fund.

—13 — AB 1061

(i) Report annually to the Legislature, by November 30, on projects operating during the previous state fiscal year. These annual reports shall provide separate summaries of all of the following:

- (1) Projects completed during the year, including their individual and aggregate performance and cost.
- (2) Projects not completed during the year, briefly describing each project and identifying approved contract amounts by contract and for this category as a whole, and identifying any projects in which funds are expected to be disencumbered.
- (3) Projects terminated prior to completion and the reasons for the termination.
- (4) A description of the amount, type, and effectiveness of literacy training funded by the panel.
 - (5) Results of complete project evaluations.

In addition, based upon its experience in administering job training projects, the panel shall include in these reports policy recommendations concerning the impact of job training and the panel's program on economic development, labor-management relations, employment security, and other related issues.

- (j) Report to the Governor, the Legislature, the Secretary of the Labor and Workforce Development Agency and the California Workforce Investment Board, not later than July 4, 2004, and annually thereafter on November 30, regarding strategies identified through demonstration pilot projects to implement policy changes designed to increase access by small firms to single employer contracts through the Employment Training Panel. The panel's report in subsequent years shall be prepared and submitted to the Legislature only as a part of the annual report required by subdivision (i).
- (k) Conduct ongoing reviews of panel policies with the goal of developing an improved process for developing, funding, and implementing panel contracts as described in this chapter.

(k)

 (*l*) Expedite the processing of contracts for firms considering locating or expanding businesses in the state, as determined by the Trade Technology, Trade, and Commerce Agency, in accordance with the priorities for employment training programs set forth in subdivision (b) of Section 10200.

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AB 1061 — 14 —

(m) Coordinate and consult regularly with business groups and labor organizations, the California Workforce Investment Board, the State Department of Education, the office of the Chancellor of 4 California Community Colleges, the Employment Development Department, and the Trade Technology, Trade, and Commerce Agency.

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(n) Adopt by regulation procedures for the conduct of panel business, including the scheduling and conduct of meetings, the review of proposals, the disclosure of contacts between panel members and parties at interest concerning particular proposals, contracts or cases before the panel or its staff, the awarding of contracts, the administration of contracts, and the payment of amounts due to contractors. All decisions by the panel shall be made by resolution of the panel and any adverse decision shall include a statement of the reason for the decision.

(n)

(o) Adopt regulations and procedures providing reasonable confidentiality for the proprietary information of employers seeking training funds from the panel if the public disclosure of that information would result in an unfair competitive disadvantage to the employer supplying the information. The panel may not withhold information from the public regarding its operations, procedures, and decisions that would otherwise be subject to disclosure under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code).

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(p) Review and comment on the budget and performance of 30 any program, project, or activity funded by the panel utilizing funds collected pursuant to Section 976.6.